

The CEO-CHRO Partnership

A new survey highlights where CEOs and CHROs are on the same page—and where they're not. The upshot? There's room for improvement.

Chief Executive Group



Despite the pandemic and economic contraction of the past year, the talent war continues

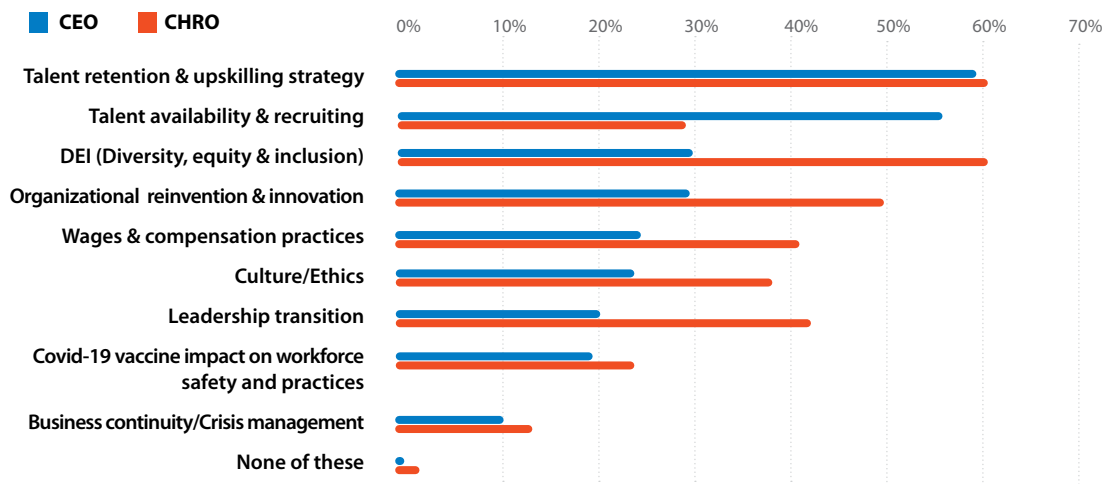
to rage, and CEOs want their human resource chiefs to spend more time finding, retaining and upskilling great employees, according to a new survey by Chief Executive and SHRM—the Society for Human Resource Management. But the survey, which polled 243 CEOs and 406 CHROs, also found CHROs wishing their CEOs spent more time thinking about diversity, equity and inclusion (DEI) strategy. A closer look at the findings suggests that while the differences between CEO and CHRO perspectives are fewer than their areas of agreement, there might be room for improvement around collaboration on talent strategy overall.

FINDING AND KEEPING THE BEST

From the CEO's perspective, the survey found the two biggest priorities for 2021 human capital strategy were talent availability & recruiting (56 percent of CEOs) and retention & upskilling (58.4 percent). While CHROs agreed on the latter (60.3 percent), only 29 percent of CHROs said they'd like to see more time devoted to talent availability & recruiting.

Twice as many CHROs (42.7 percent) as CEOs (20.6 percent) prioritized leadership transition for 2021, but when CEOs were asked to choose areas where the CHRO could add more value, the highest percentage (55.4 percent) chose "making better people managers."

Which of the following issues would you like to see more time and attention devoted to by your CHRO in 2021? (Select top three.)



"If you're a high-growth company like we are," said Kevin Campbell, CEO of IT firm Syniti, "you'll continue to try to promote from within, and you'll end up with a lot of first-time people managers. So that's something that resonated when I read that question."

In fact, both CEOs and CHROs rated this category the highest, perhaps recognizing that bad managers ultimately lead to labor issues, low engagement, loss of productivity, lawsuits and other negative effects that damage the organization, said Dr. Alex Alonso, SHRM chief knowledge officer. Previous SHRM research has shown that the five-year cost of turnover from toxic managers exceeds \$223 billion dollars. SHRM research has also found that three out of four working Americans believe their managers are the biggest factor in establishing

workplace culture, but one in three U.S. workers claim their manager doesn't know how to lead a team, and nearly three in 10 employees lack trust in their manager to treat them fairly, while another three in 10 workers say their manager doesn't encourage a culture of open and transparent communication. "Standing at the intersection of talent and productivity are your People Managers," says Johnny C. Taylor, Jr. "Too often, individuals are promoted into this role because they are good at their jobs. But that is no measure of their effectiveness as a leader. Managers are essentially talent developers. These capabilities are not passed on in a workshop or training module. It takes a consistent, long-range investment in cultivating managers who are agile, empathetic, data-driven and inspiring."

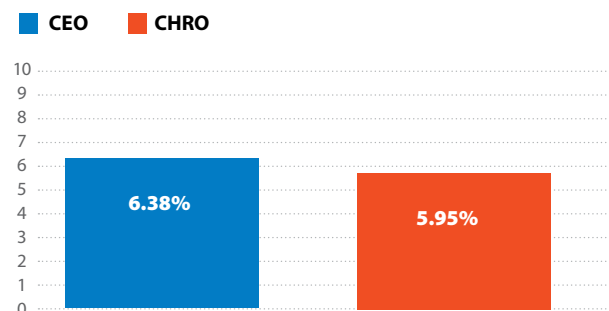
Having great managers begins with finding great people, which continues to be a challenge across industries. "We're having an even more difficult time in the pandemic finding talented individuals, and that's constantly what we hear from all our senior managers, too," said John Frye, president of insurance firm Investors Heritage. That difficulty is more pronounced for the smallest companies, whose CEOs prioritized finding talent far ahead of other categories. Campbell noted that with remote work more common, retention will be even more of a challenge going forward because geography will be less of a barrier. "I think we'll see a lot of movement this next year," he said.

John Williams, chairman and CEO of Jamison Door Company, noted that manufacturing companies have a unique challenge in that the industry has changed, requiring a mix of disparate skills. "Part of it is one step above high school shop class, but the other part is running computerized equipment that costs us \$1.5 million and really take some know-how," he said. "So there's an image problem of attracting the kind of people who are smart enough to operate that and still work in a factory because the stereotypical factory worker is not at that level."

DIVERGING ON DIVERSITY

When asked what they'd like to see their CEOs spend more time on, 62 percent of CHROs, the highest percentage, said diversity, equity and inclusion (DEI), compared with 30 percent of CEOs asked the same question about their CHROs. That may suggest HR chiefs are not getting as much buy-in from their CEOs as they'd like, but it also might indicate that CHROs are more aware of how DEI impacts business outcomes such as retention and engagement, said Alonso. "Issues of inclusion are uniquely intertwined with talent retention and engagement," he said. "Over the last decade, SHRM has engaged in qualitative assessments to understand what CHROs need when creating greater retention. In just the last decade, the importance of DEI initiatives as a retention and engagement lever has more than doubled."

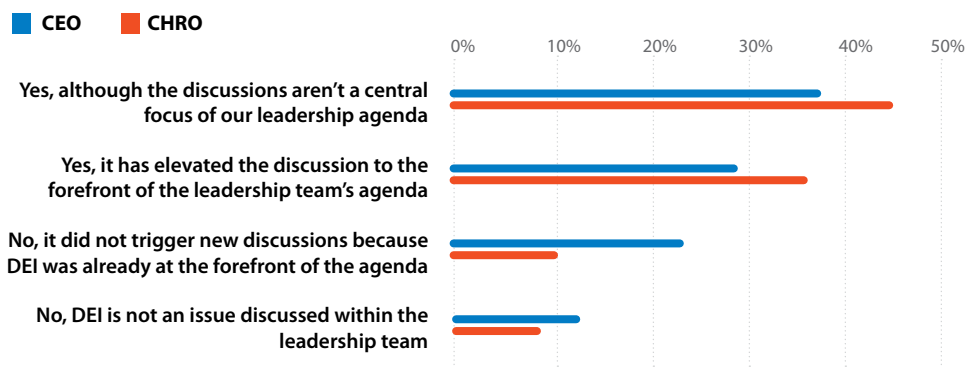
On a 1-10 scale, how would you rate your company's handling of diverse hiring in its talent strategy?



Glaze is in the camp of CEOs who agree with the importance of diversity in the workforce, primarily because it supports the community in which his business hopes to thrive. “If you’re invested in the community, you want it to be as strong as possible.” But he has been frustrated with the lack of progress increasing diversity among his 1,300 employees. He recounts talking with some of the local pastors in the community, one of whom explained that “some people don’t have cars, they don’t have transportation, and unless you’re on a bus line, it’s very difficult for them to get to work.”

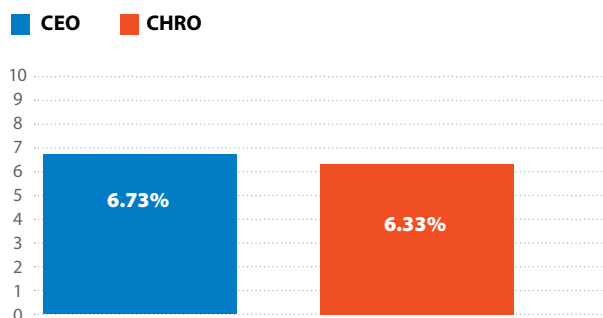
Based on that feedback, six months ago, the company opened a new plant located along a bus route. “The idea is to bring people in at much lower barriers to entry and then train them up in that area,” said Glaze. “Once they’re at a level that’s acceptable for any of our other positions, then they can flow into any of our other plants in the area.”

Has the recent push for enhanced diversity, equity and inclusion (DEI) triggered new discussions about your company’s corporate citizenship?



Two-thirds of both CEOs and CHROs said the frequency and depth of conversation about human capital have increased in light of the social events that occurred in 2020. The two differed slightly on whether the recent push for enhanced DEI has triggered new discussions about corporate citizenship. Both CEOs (37.9 percent) and CHROs (44.4 percent) said it had elevated the discussion, but that it was not the central focus of the leadership agenda; however, 22.6 percent of CEOs said it did not trigger new discussions because DEI was already at the forefront of the agenda, while only 10.2 percent of CHROs said the same. Glaze said the DEI push had intensified his company’s conversations, “and it just affirms what we were doing, but at the same time, we’re looking at other things we can do.” For example, the company has joined United Fort Wayne, which has been addressing the issue of racial equality.

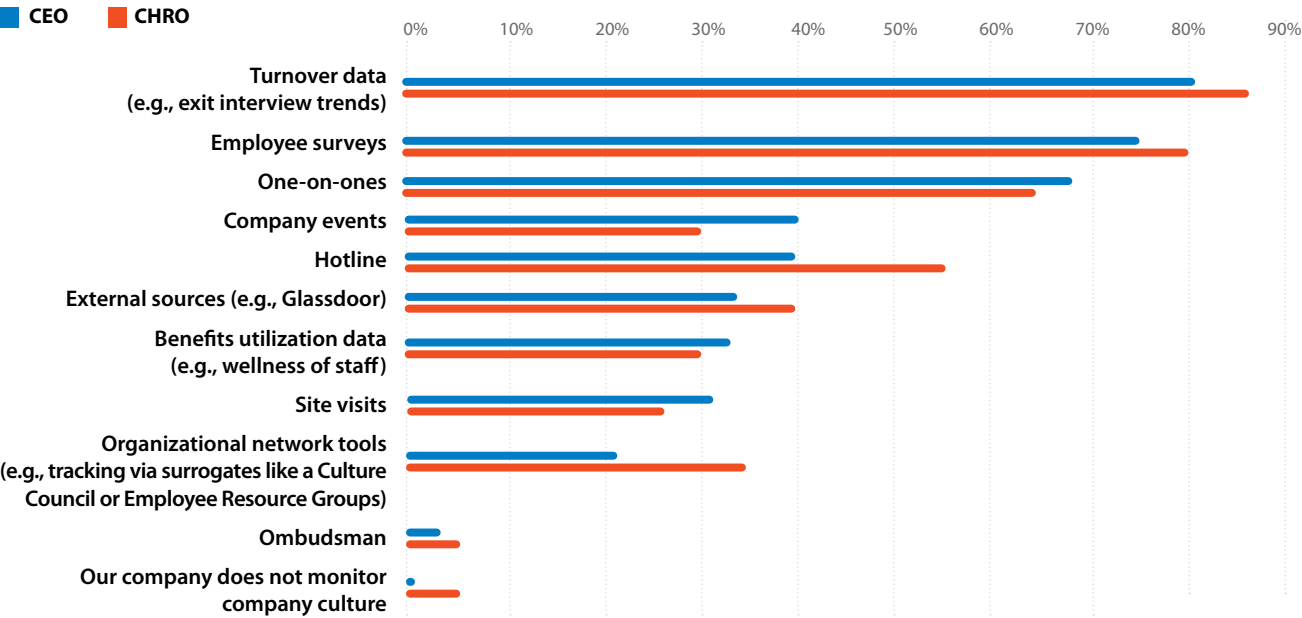
On a 1-10 scale, how would you rate your company’s handling of inclusion in its workplace culture strategy?



Asked to rate how well the company is handling inclusion, CEOs generally see more progress than CHROs. For example, the highest percentage of CEOs (26 percent) rated their company's efforts an eight out of 10, while 17.7 percent of CHROs said the same. Nearly double the percentage of CHROs rated efforts at just a four, compared with CEOs.

The two survey populations differed on the question of how best to monitor potential problems in the culture. Both CEOs and CHROs cited turnover data, employee surveys and one-one-one discussions as key tools, but 57 percent of CHROs named hotlines as a primary method, while only 40.3 percent of CEOs said the same. More CEOs (41%) than CHROs (31%) tend to rely on company events, such as town halls, to find problems that may be brewing, and a slightly higher percentage of CEOs (32% vs. 27%) named site visits as a key tool.

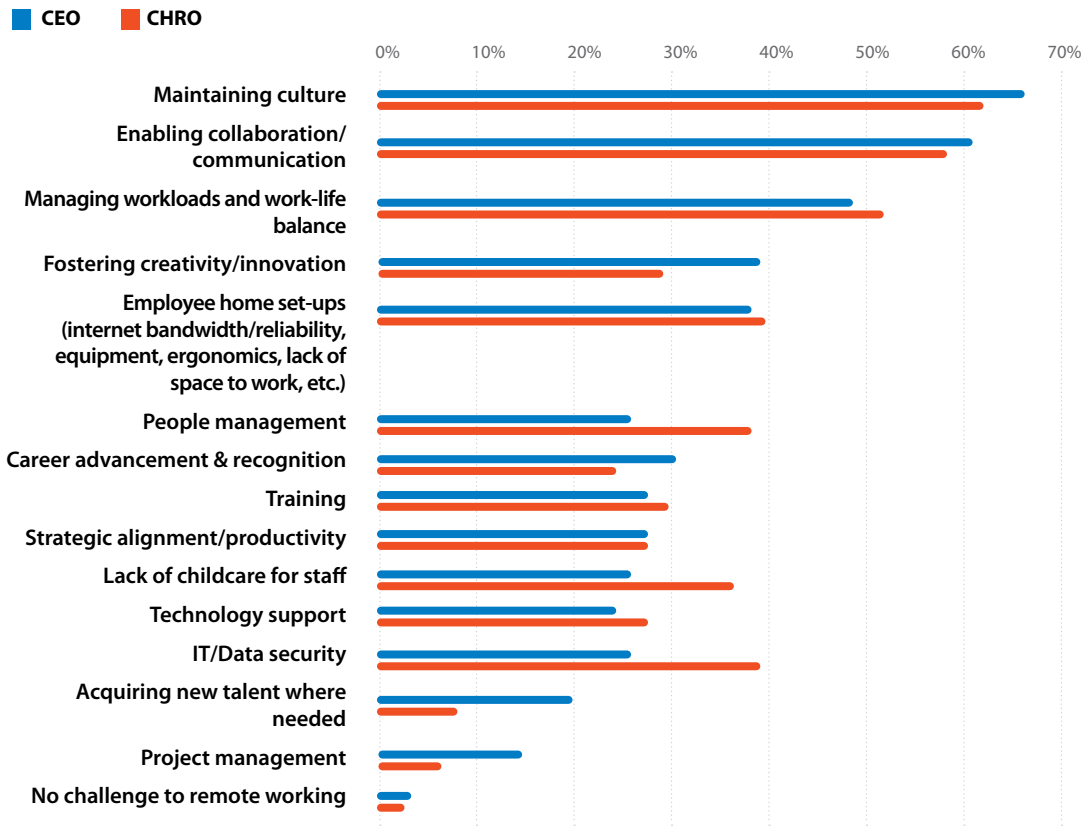
How does your company monitor its culture for potential problems? (Select all that apply.)



Maintaining culture was named by both CEOs (67%) and CHROs (62%) as the top challenge to a remote work environment. "When you're in an office, you can walk around and chat people up, so people feel connected," said Frye. "Making sure people feel connected and feel part of something and want to be part of that—that's my biggest challenge."

Other remote work challenges included enabling collaboration/communication, managing workloads and work-life balance, and fostering creativity/innovation. It's noteworthy that only 3% of CEOs and 2% of CHROs reported no challenges with a remote work environment. "There is no right or wrong when it comes to a remote work policy," says Taylor. "Fully remote, fully onsite or a hybrid mode, it is entirely dependent on the workplace culture you are trying to build. And every single one is different. I urge CEOs not to imitate the big names who are making the news, but to trust their culture—and their CHRO—to determine the right fit."

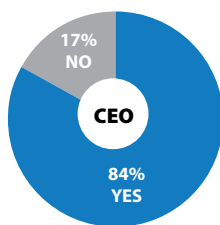
What are the top challenges for your team in working remotely? (Select all that apply)



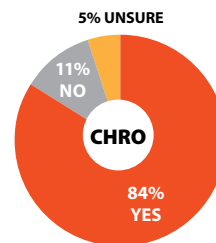
THE CHANGING ROLE OF HR

One clear area of agreement between CEOs and CHROs: the expanding role of HR manager as a strategic partner to the CEO. “CEOs and CHROs have shifted over the years on this leadership conundrum,” said Alonso. “As the importance of talent operations has risen, so has the criticality of a good CHRO and the involvement of CEOs in creating an attractive workplace. The two go hand-in-hand if HR is to unlock the human potential needed for success in a highly-personalized talent market.”

Is your CHRO viewed as a strategic advisor and member of the executive management team?

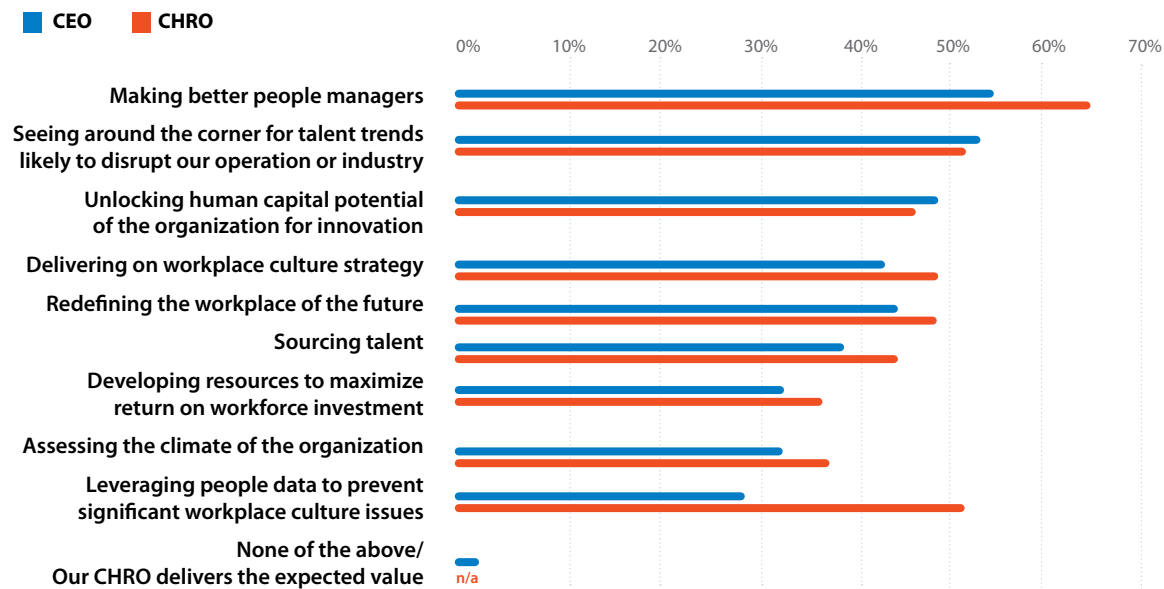


Do you feel your CEO views your role as CHRO as a strategic advisor and member?



A little more than three out of four CEOs said they look to their HR chiefs for views on business strategy and operational issues planning, though that still came in last of four other areas of value CEOs want to see their CHROs provide. But CEOs may want to get their CHROs better access to data: just over half of CHROs believed they could offer more value to the CEO by leveraging people data to prevent significant workplace culture issues, while only 28 percent of CEOs named that as a priority.

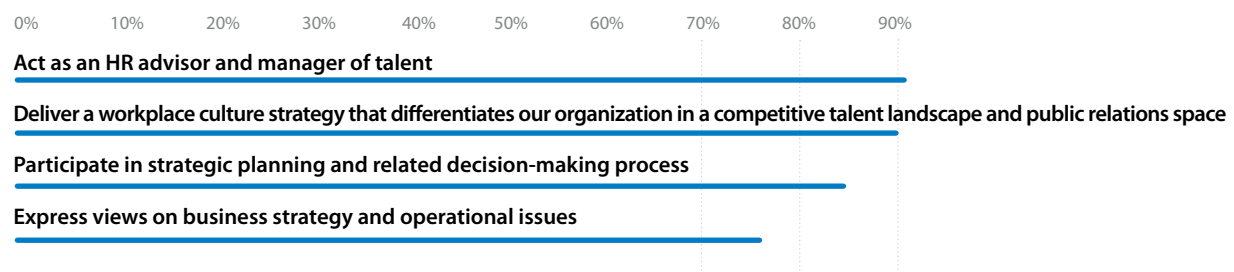
In which area would you like your CEO/CHRO to deliver more value? Select all that apply)



Harvey Kanter, who has been CEO of retailer DXL Group for the past two years, noted that he recently elevated his VP of human resources, who used to report to the chief administrative officer and general counsel, to the role of CHRO, and she will now report directly to him. "Developing our culture and our talent is an incredibly strategic role, as opposed to just executing the tactical human resource plan or function," he said.

Indeed, the traditional tasks of human resources have become "table stakes," said Frye. "We need to learn to develop people." He noted that the current HR manager was hired several years ago to handle benefits, payroll, etc., but not necessarily to provide input on strategy. "That doesn't mean he can't get there," says Frye. But for now, the company has hired an outside HR consultant to serve in that role and also mentor and develop the current HR manager to be able to serve in that strategic advisor role. "You have to develop your people and, yeah, that makes them more attractive on the outside, but that's fine. It's absolutely what we should be doing."

As CEO, what level of support does your CHRO currently provide? (Select all that apply)



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